



Meeting Agenda – Finance Committee

August 21, 2020 – 10:00 a.m.

Via WebEx Teleconference

Conference Call-in #: 1-408-418-9388 : Access Code: 129 509 7355

The public will be able to hear those persons participating electronically in the public sections of the meeting by attending the meeting via WebEx Teleconference.

1. Call to Order

2. Call to the Public

The public may address the Committee or present topics for future Committee discussion.

3. Consent Agenda

Action recommended

Approve the consent agenda recommendations.

3.1 Approve Draft Finance Committee Minutes – May 15, 2020

3.2 Recommend Board approval of the Actuarial Advisors fee and service proposal

3.3 Recommend Board approval of the Gilbert Associates fee and service proposal

3.4 Recommend Board approval of continued PFM investment management services

3.5 Receive June 26, 2020 PFM – MACM Client Update

4. Q2 2020 Financial Overview

Sheri/Tiffani

Action recommended

None – For review and discussion only.

4.1 Q2 2020 Financial Results

5. 2020 Mid-Year Investment Review

PFM

Action recommended

None - For review and discussion only.

5.1 2020 Mid-Year Investment Review

6. Preliminary 2021 Administrative Expense Budget

Tiffani

Action Recommended

None – For review and discussion only.

6.1 Preliminary 2021 Administrative Expense Budget

7. Adjourn



Finance Committee

Minutes

May 15, 2020

A meeting of the Finance Committee of the Arizona Municipal Risk Retention Pool (AMRRP), an Arizona non-profit corporation, was called and held May 15, 2020 via teleconference.

Committee Members present:

Tom Belshe, *Committee Chair*, League of AZ Cities & Towns
A.C. Marriotti, Town of Sahuarita
Brian Richards, Town of Snowflake
Rudy Rodriguez, *Board President*, City of Cottonwood
Doug Sandstrom, City of Goodyear

Committee Members not present:

Sharon Barnes, Quartzsite
Scott McCarty, Town of Queen Creek

Others present:

Luke Schneider, PFM, Bob Green, and Kevin Wong, Gilbert CPAs

Staff present:

Jody Achor, Tiffani Burleson, Jon Paulsen, Sheri Reintjes, Sheryl Sattler

1. Call to Order

Tom Belshe, Committee Chair, called the meeting to order at 10:06 a.m.

2. Call to the Public

There was no response to the request for public comment.

3. Consent Agenda

There was no response to the request to remove items from the consent agenda. The Committee unanimously carried a motion made by Richards and seconded by Sandstrom to approve the following consent agenda actions.

3.1 Approve Draft Finance Committee Minutes – March 24, 2020

3.2 Approve Draft Finance Committee Confidential Discussion minutes – March 24, 2020

3.3 Review PFM's Market Update 05.07.2020

3.4 Review Arizona Treasury Local Government Investment Report



4. Investment Review

As a follow-up to the Finance Committee meeting of March, 24, 2020 Luke Schneider provided an update to the LGIP questions and securities with negative balances.

- As for the securities with negative balances, PFM does not deem them appropriate to transfer for management. As such, they will remain on the holdings list at losses until they mature or default completely.
- Upon review of the LGIP monthly statement, it was confirmed that the Fixed Income Long Term ICA Secured WC investments are in Pool 500, not Pool 5. The Finance Report template was updated to fix the typo.

5. Q1 2020 Financial Overview

Sheryl provided AMRRP's Q1 2020 financial results:

Combined results

- Net earned premium was \$5.8 million, down 2 percent over prior year
- Loss and LAE incurred was \$4.3 million, down 89 percent over prior year due to an increase in actuarial ultimates in Arizona
- UW results are \$160 thousand, down 93 percent over prior year
- Net income/(loss) was (\$2) million, losses due to volatility of the market in Q1 2020

PC results

- Net earned premium was \$3.2 million, a slight decrease over prior year
- Loss and LAE Incurred was \$3.1 million, an increase over prior year
- The Loss and LAE Ratio increased by 58 percent over prior year to 97
- Net Results, excluding underwriting expenses, were \$100 thousand

WC results

- Net earned premium was \$2.6 million, a slight decrease over prior year
- Loss and LAE Incurred \$1.2 million, an increase over prior year
- Net Results, excluding underwriting expenses, were \$1.4 million

AMRRP's Financial Position as of year-end consisted of:

- \$110,662 million, Assets
- \$49,738 million, Liabilities
- \$60,924 million, Member Surplus

An analysis of Member Surplus reflected a (\$2) decrease due to losses in investment income from the Q1 2020 investment performance. This does not reflect the 2020 \$10 million dividend.



AMRRP's Proforma analysis for 2020:

- Planned Loss Ratio - 60 percent as of 12/31/2019
- Actual Loss Ratio - 75 percent as of 03/31/2020

There continues to be a variance between the valuations of investments used by Wells Fargo our banking provider and the valuation used by PFM Asset Management as of December 31, 2019. Sheryl Sattler advised the Committee that she will make it a priority to communicate with Wells Fargo to advise they reconcile the statements annually as of December 31st.

6. Independent Audit Report 2019

Bob Green reviewed the Independent Audit Report in detail, stating that Gilbert CPAs has audited the accompanying financial statements of Arizona Municipal Risk Retention Pool (AMRRP) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise of the Pool's basic financial statements as listed in the table of contents.

In the opinion of Gilbert CPAs, the financial statements referred to above present fairly, in all material respects, the respective financial position of Arizona Municipal Risk Retention Pool as of December 31, 2019 and 2018, and the respective changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Highlights from Green's report include the following:

- Gilbert CPAs have issued an unmodified opinion on the financial statements of AMRRP for the year ended December 31, 2019.
- Management and staff were well prepared and cooperative during the audit process.
- There were no significant adjustments identified during the audit.
- Total assets were \$120 million in 2019, as opposed to \$118 million the prior year.
- AMRRP's total liabilities increased from \$56.9 million in 2018 to \$57 million in 2019.
- Operating income decreased from \$11.6 million in 2018 to (\$5.6) million loss in 2019, in part due to a \$10 million dividend back to members.
- Total Net Position in 2019 was \$62.8 million.

As part of the audit year ended December 31, 2019, the independent auditor offered the following updates to the best practice recommendation identified during the 2018 audit.



Finance Committee

Minutes

May 15, 2020

The Pool will prioritize communicating with Wells Fargo during Q2-3 2020 to properly value investment holdings to reduce uncertainty in the valuation of these investment balances in the financial statements.

The Pool completed its recurring claims audit in 2019.

7. **Adjourn**

The Committee unanimously carried a motion made by Richards and seconded by Marriotti to adjourn the meeting at 10:48 a.m.

April 22, 2020

Tiffani Burleson
Director of Operations
Southwest Risk
14902 N 73rd Street
Scottsdale, AZ 85260

Re: **Actuarial Services for Arizona Municipal Risk Retention Pool**

Dear Tiffani:

Please thank the Board of Trustees for giving us the opportunity to provide actuarial services since 2014 for the Arizona Municipal Risk Retention Pool. We believe that this has been a mutually beneficial relationship and hope that it will continue.

We are proposing an incremental increase in fees for the 2021 to 2023 calendar years versus the prior three-year period for comparison. Both are shown here for comparison. The fees for 2021 to 2023 are based on our actual costs during the past two years.

The scope of the services will remain as they have been in the prior three-year cycle.

Prior		2021-2023	
<u>Service Element</u>	<u>Cost</u>	<u>Service Element</u>	<u>Cost</u>
Year-End Reserve Analysis	7,500	Year-End Reserve Analysis	8,000
Rate Level Analysis	4,500	Rate Level Analysis	5,000
Actual versus Expected (3)	1,500	Actual versus Expected (3)	1,750

We are prepared to be flexible regarding the fee structure for any special requests, reports, or broadening of the scope of work beyond that described in this proposal. As each request occurs, we would be prepared to provide the option of either a fixed cost or a rate per hour accompanied with an estimated range and maximum cost.

As requested in our initial proposal, we are still able to certify that no member or representative of the Pool has any interest in this contract directly or indirectly.

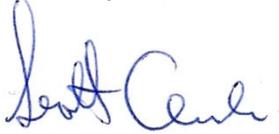
Please be aware that as a Fellow of the Casualty Actuarial Society (FCAS), and because of having performed numerous self-insurance studies like this one, I fully meet the regulatory requirements to provide this analysis.

Tiffani Burleson
Actuarial Services - AMRRP
April 22, 2020
Page 2 of 2

Let me know if you would like current materials on our firm regarding staffing, level of expertise, etc. In addition to providing actuarial services for your pool, we provide actuarial services for 30 other pools and group captives.

Thank you for your consideration, we look forward to continuing to work with you. Please contact me if you have any questions or would like to discuss this proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Anderson".

Scott Anderson, FCAS, MAAA, FCA
President, Actuarial Advisors, Inc.

PROPOSAL FOR PROFESSIONAL SERVICES FOR



**ARIZONA MUNICIPAL
RISK RETENTION POOL**



Relax

we got this.

Submitted by

Gilbert CPAs

Kevin S. Wong, CPA, Shareholder

2880 Gateway Oaks Drive, Suite 100

Sacramento, California 95833

GilbertCPA.com

phone: 916.646.6464 | fax: 916.929.6836

May 1, 2020



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May 1, 2020

Southwest Risk Services
14902 North 73rd Street
Scottsdale, Arizona 85260

On behalf of Gilbert CPAs, I am pleased to present our qualifications to provide professional services to the Arizona Municipal Risk Retention Pool (AMRRP).

The following aspects of our qualifications, which are discussed in detail in the following pages, should be particularly meaningful to AMRRP.

- **Experience with Insurance Pools** – A significant part of our firm's services are dedicated toward serving insurance pools. We have performed over a hundred insurance pool audits in the last ten years. We have actively participated in the California Association of Joint Power Authorities (CAJPA), making numerous presentations in accounting and audit related topics. Most importantly, the team of professionals that will serve you has substantial experience in the insurance pool industry.
- **Reputation and Capabilities** – Since we founded Gilbert in 1984, quality and innovative services have been our benchmark. With nine shareholders and approximately 60 staff to serve you, we are large enough to provide depth and resources, but small enough to ensure a personal approach and partner-level involvement in the services we provide to you.
- **Objective, Value-Added Service Approach** – We've gained a unique understanding of insurance pools including management best practices and financial performance benchmarking against other pools. We pledge to keep you informed of any significant industry or accounting changes that may impact your organization. We're your partner. We're here to help.
- **National Resources** – We are members of Allinial Global, an association of nearly 100 of the highest-quality independent certified and chartered accounting firms in North America. Our membership allows you access to broader technical and industry expertise, specialty skills, geographic coverage and knowledge of business trends. It's like having national firm-like resources with locally-based service.
- **Personalized, Responsive Service** – We serve you. Your service team will answer your questions timely, solve problems, and be a value-added resource when you need support. We recognize the importance of a timely response. We're only a phone call away.

- **Why Choose Gilbert?** – What separates Gilbert from other firms that serve insurance pools is our commitment to the insurance pool sector and our clients. This commitment is demonstrated by the portion of our firm's practice devoted to insurance pools; the expert, leading-edge training we receive and provide to others; and our devotion to adding value to our clients so that they may improve their operations.

* * * * *

We are extremely proud of the professionals who are a part of our team and their technical skills, business expertise, and commitment to service. We would be very pleased to continue to serve the Arizona Municipal Risk Retention Pool. Please call me at (916) 646-6464 if you have any questions regarding our proposal.

Yours very truly,

A handwritten signature in black ink that reads "Kevin S. Wong". The signature is written in a cursive, flowing style.

Kevin S. Wong, CPA
Shareholder, Gilbert CPAs



“As our Association has grown, we have always felt comfortable that the firm and staff can meet our changing needs.”

Sandra Birkman,
California Primary Care Association

SCOPE OF SERVICES

As requested, we will audit your financial statements in accordance with Generally Accepted Auditing Standards (GAAS). We will advise you on financial reporting standards, regulations and proposed changes in relevant laws. During the term of our engagement, our services will include:

- Audit of the financial statements of the Arizona Municipal Risk Retention Pool (AMRRP) for the years ending December 31, 2020, 2021, 2022.
- Report of Required Communications to Those Charged with Governance.
- Management Letter, if warranted.
- Completion of all appropriate federal and state tax returns and filings for AMRRP.
- Meetings with your Finance Committee and Board of Directors (if requested) to discuss the audit process and to make a formal presentation of the audit report and associated communications.

OUR EXPERIENCE

We have made a commitment to the needs of insurance pools such as yours. In addition to our experience serving insurance pools, we engage in a variety of professional activities that help us to address our clients' needs:

- We have donated hours of instruction on financial best practices, accounting, and Board development matters on behalf of the California Association of Joint Power Authorities and the National League of Cities Risk Information Sharing Consortium. Through these programs, we have provided financial training to insurance pool financial executives and Board members.
- We require all professional staff, both certified and noncertified, to participate in at least 40 hours of professional continuing education each year. In connection with this policy, each professional staff member receives a minimum of 24 hours annually of professional continuing education in the area of governmental accounting and auditing. All audit staff meet the education requirements of the Government Auditing Standards published by the Comptroller General of the United States.

Commitment to the Industry

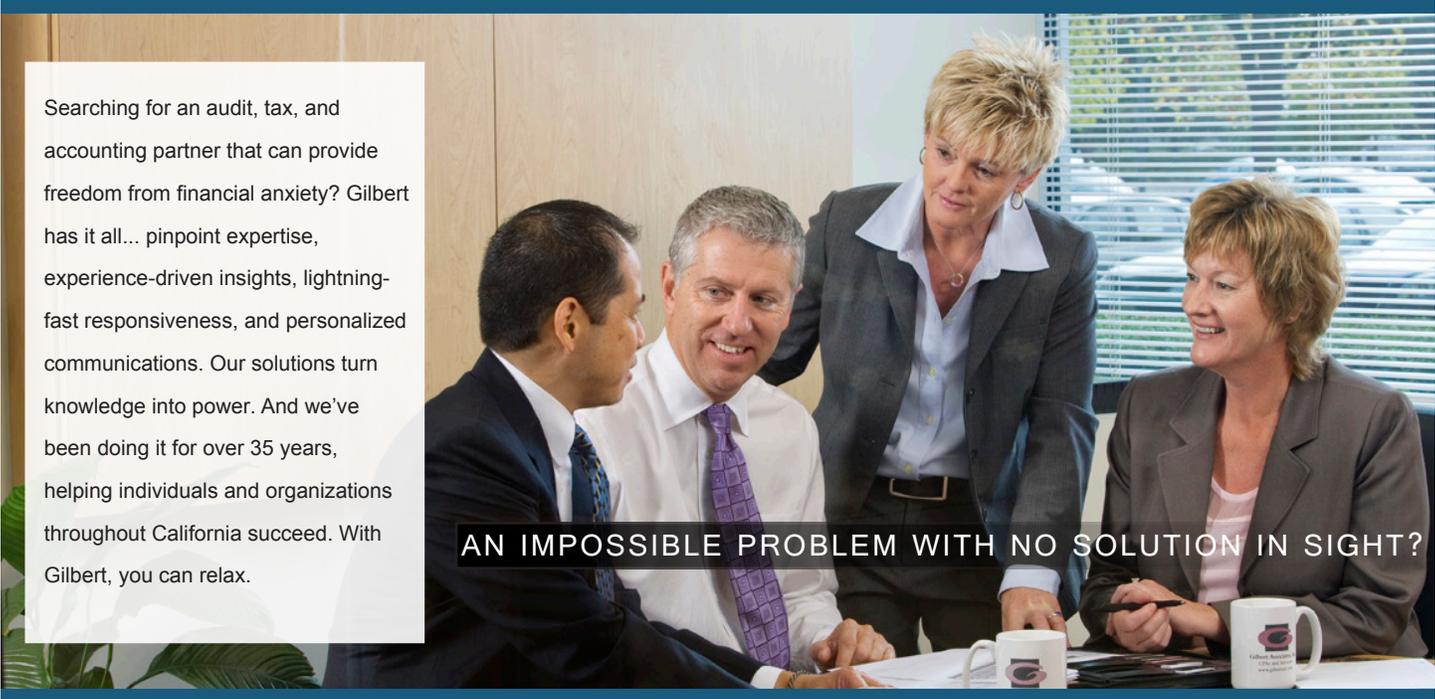
Gilbert specializes in providing high-quality value-added audit and consulting services to insurance pools. We have performed more than 480 government audits in the last ten years. Over 25% of these have been insurance pools.

We offer insurance pools a comprehensive menu of services including:

- Financial Audits
- Outsourced Accounting Services
- Procedures Manuals for Accounting Operations
- Internal Control Design and Assessment
- New GASB Implementation
- Annual Report of Financial Transactions
- Governing Board Presentations
- Fraud Risk Assessment and Investigation
- Bylaw and Joint Powers Agreement Revisions
- Member Equity Calculations
- Dividend and Assessment Policies
- Accounting Policies
- Investment Policies

The depth and experience of our staff allows us to provide meaningful support year-round on a variety of technical and operational issues.

Searching for an audit, tax, and accounting partner that can provide freedom from financial anxiety? Gilbert has it all... pinpoint expertise, experience-driven insights, lightning-fast responsiveness, and personalized communications. Our solutions turn knowledge into power. And we've been doing it for over 35 years, helping individuals and organizations throughout California succeed. With Gilbert, you can relax.



AN IMPOSSIBLE PROBLEM WITH NO SOLUTION IN SIGHT?

WHAT OUR CLIENTS ARE SAYING

“We found Gilbert staff to be knowledgeable, responsive to EIA needs and supportive during the audit process. We were particularly impressed with the level of support and guidance we received from Gilbert when we implemented GASB68, the pension standard. In addition, the manager and partner are very accessible and helpful throughout the year as accounting and reporting issues arise.”

– CSAC-EIA

“We have found the Gilbert audit teams to be thorough as required by the auditing standards yet very efficient and practical in their approach. The Gilbert staff is well trained and personable and their managers and partners are present in the field bringing a high level of expertise to the engagement. We recommend a business requiring an audit consider Gilbert.”

– Stanford Schools Corporation

“Best professional relationship in the last ten years!”

– Video Products Distributors, Inc.

“Our experience working with Gilbert over the last 5 years has made us a financially stronger organization through the audit and management feedback process.”

- Marlu Investment Group

“Committed to the success of our organization!”

– CA Medical Association

QUALIFIED TEAM OF EXPERTS

All of our staff have extensive experience in serving insurance pools, and receive specialized training in accounting and auditing of these types of entities. In an effort to meet your specific organizational needs, we have assembled a service team that has significant experience serving insurance pools.



Kevin S. Wong, CPA

Audit Engagement Shareholder | 33 Years of Experience

- University of California, Berkeley, B.S. (Accounting and Finance)
- Member of AICPA and CalCPA
- Speaker at state and national risk pooling conferences
- Director of the firm's audit practice
- Shareholder-in-charge of our Insurance Pool Industry Team
- Shareholder-in-charge of several outsourced Controllershship and CFO services for insurance pools

Spends a significant portion of his time serving insurance pools including current experience with: CSAC Excess Insurance Authority, Schools Insurance Authority, ACWA-JPIA, Alliance of Schools for Cooperative Insurance Programs, San Mateo County Schools Insurance Group, and many more. He has also served as a consultant for South Bay Area Schools Insurance Authority, Small Cities Organized Risk Effort, Municipal Pooling Authority, California Association for Park and Recreation Indemnity, and San Diego Pooled Insurance Program Authority.



Bob A. Green, CPA

Senior Manager | 8 Years of Experience

- California State University, Sacramento, B.S. (Accountancy)
- Member of AICPA and CalCPA

Spends a significant portion of his time serving insurance pools and governmental agencies such as: Schools Insurance Authority, CSAC Excess Insurance Authority, Alliance of Schools for Cooperative Insurance Programs, ACWA-JPIA, Social Service Contractors Indemnity Pool, Arizona Municipal Risk Retention Pool, and CharterSAFE.

QUALIFIED TEAM OF EXPERTS



Jonathan Bailey

Senior Associate | 3 Years of Experience

- California State University, Sacramento, B.S., Business Administration (Accountancy), Cum Laude
- Member of AICPA and CalCPA

Spends a significant portion of his time serving insurance pools and governmental agencies such as: CSAC-Excess Insurance Authority, Lodi Unified School District, and Health Professions Education Foundation (funds that are a part of OSHPD- Office of Statewide Health Planning and Development).



Alan Davila

Senior Associate | 2 Years of Experience

- California State University, Sacramento, B.S. Business Administration (Accountancy)
- Member of AICPA and CalCPA

Spends a significant portion of his time serving insurance pools and governmental agencies such as: ACWA-JPIA, Social Service Contractors Indemnity Pool, Arizona Municipal Risk Retention Pool, Santa Rosa Junior College, Merced Community College District, Ohlone Community College District, and the State Public Works Board (Public Buildings Construction Fund).

Additional staff associates will be added to the team as necessary to assist during the audit engagement. The key to completing this contract successfully and with results that improve your business operations is to assemble an effective audit team. Based on our past history with audits of this type we are confident that the experience and commitment we will bring to this engagement will deliver success.

GILBERT'S PRACTICES

Open Communications

We want to serve as a resource to you and encourage your questions or requests for help in any way. We would be pleased to meet with management or the Board of Directors at any time throughout the year to discuss issues of concern. We encourage open and timely communication to answer questions, discuss issues, and cover technical matters. You will not be billed for these minor requests. If there are special services or projects for which you would like our assistance, we will provide an estimate of any additional fees in advance. All of our services and fees are open and upfront. No surprises.

Retention Practices

We strive to maintain continuity for all of our clients as it is beneficial to everyone involved. Typically, the partner and manager will never change, and we expect to retain any other staff member to your engagement as well.

The unpredictable element for any service firm is staff retention. Although we can't predict the future with any certainty, our firm's track record for staff retention is exceptional. In fact, we were named by the Sacramento Business Journal three times as a finalist for the A+ employer award, signifying us as one of the top 10 employers among our size, based on employee input. We take good care of our staff and, as a result, our turnover is much lower than our counterparts, averaging about 10% per year.

Quality Control

Gilbert has an active quality control committee that monitors and maintains practice quality and integrity, including safeguards of independence. In addition to internal oversight, the firm is subject to a triennial external peer review. During the firm's peer for the year ending November 30, 2016, it received an unqualified opinion with no letter of comments, matching our prior history of impeccable peer reviews. Our eleventh peer review is scheduled for Summer of 2020. A copy of our most recent peer review report can be found on page 22 of this proposal.

No complaints have been issued against any of our professionals by the California Board of Accountancy or other agencies.

GILBERT UP CLOSE

36
YEARS
IN BUSINESS

OVER
400
HAPPY
AUDIT CLIENTS

NINE PARTNERS

50

ACCOUNTANTS

9

SUPPORT STAFF

A NATIONALLY RECOGNIZED LEADER IN THE
INSURANCE POOL
INDUSTRY

TOP ACCOUNTING FIRM FOR
PHILANTHROPY

WE HOPE TO KEEP
YOUR INSURANCE POOL
IN THE
GILBERT FAMILY

GILBERT'S PRACTICES

Community Commitment

At Gilbert, we are dedicated to giving back to the community that supports us. We give financial and professional support to a myriad of organizations within Northern California.

We were recently honored with the Public Service Award from the California Society of CPAs distinguishing us among all CPA firms in California for our level of community involvement and contributions to a variety of causes in our Region.

Each summer, the firm holds it's annual Community Service Day. Our offices will be closed for a day and all of our staff will be volunteering in the local community. Projects will range from painting, food preparation and serving, to distributing food and clothing.

Independence

Gilbert CPAs affirms that we are independent of the Arizona Municipal Risk Retention Pool as defined by the AICPA.

Currently, Gilbert CPAs is not providing any other work for the Arizona Municipal Risk Retention Pool that would cause a conflict of interest. In addition, if selected for this engagement, Gilbert CPAs will provide the Arizona Municipal Risk Retention Pool written notice of any professional relationships entered into during the period of this engagement that might cause a conflict of interest.

A Resource to Your Organization

Our goal is to be a resource to you in many areas when needed, including personnel and financial matters. We view our examination as a platform for building a business advisory relationship with our clients. Some additional services we can provide to you include:

- Objective advice about how you might improve your Pool's operations.
- Consultations from our team of experts on accounting matters as they arise.
- Rapid responses to phone calls, emails, and other minor requests.

GILBERT'S EXPERIENCE

We have made a commitment to serving the needs of insurance pools. Following is a sample of some of the significant clients we have served:

Insurance Pools

Alliance of Schools for Cooperative Insurance Programs	Parks and Recreation District Employee Compensation
Arizona Municipal Risk Retention Pool	Plastic Manufacturers Self Insurance Program
ABAG Comp Shared Risk Pool	Preferred Auto Dealers Self Insurance Program
ABAG PLAN Corporation	Redwood Empire Municipal Insurance Fund
Association of California Water Agencies/JPIA	San Diego Pooled Insurance Authority
Beverage Distributors of California Self-Insurance Group	San Joaquin Health Care JPA
California Affiliated Risk Management Authorities	San Joaquin Property/Liability JPA
California Association for Park and Recreation Insurance	San Joaquin Workers' Compensation JPA
California Association of Private Schools Self-Insurance Group	San Mateo County Schools Insurance Group
California Fair Services Authority	Santa Clara County Schools Insurance Group
CharterSAFE	Santa Cruz County Schools Health Insurance Group
Credit Union Self-Insurance Group	School Employees Benefits Association
CSAC Excess Insurance Authority	Schools Excess Liability Fund
Fire Districts Association of California	Schools Insurance Authority
Fire Association Self Insurance System	Small Cities Organized Risk Effort
Monterey Employment Risk Management Authority	Social Services Contractors Indemnity Pool
Municipal Pooling Authority	South Bay Area Schools Insurance Authority
North Bay Schools Insurance Authority	Southern Peninsula Region Insurance Group
North Valley Schools Insurance Group	Special Districts Workers' Compensation Authority
	Superior County Excess Liability Program
	Tri-County Schools Insurance Group
	Valley Insurance Program JPA
	Western Independent Bankers Self Insurance Group

Over
40

Insurance Pool clients served

*Arizona Municipal
Risk Retention Pool • Association of
Bay Area Governments • Association of CA Water
Agencies/JPIA • Credit Union Self-Insurance Group •
Beverage Distributors of CA Self-Insurance Group • CA Affiliated
Risk Management Authorities • CA Association for Park and Recreation
Insurance • CA Association of Private Schools Self-Insurance Group •
San Mateo County Schools Insurance Authority • CharterSAFE • CA Fair
Services Authority • CSAC Excess Insurance Authority • Monterey County Schools
Workers' Compensation JPA • Fire Districts Association of CA Fire Association
Self Insurance System • Parks and Recreation District Employee Compensation •
Municipal Pooling Authority • North Valley Schools Insurance Group • Plastic
Manufacturers Self-Insurance Program • Preferred Auto Dealers Self-Insurance
Program • San Joaquin Health Care JPA • South Bay Area Schools Insurance
Authority • San Joaquin Workers' Compensation JPA • Schools Excess
Liability Fund • Schools Insurance Authority • San Diego Pooled
Insurance Authority • Social Services Contractors Indemnity
Pool • Western Independent Bankers Self-Insurance
Group • Superior County Excess Liability
Program*

More than

500

audits

AUDIT APPROACH

General

We will audit the financial statements of the Arizona Municipal Risk Retention Pool (AMRRP). Our audit will be made in accordance with generally accepted auditing standards of the United States. Accordingly, our procedures will include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

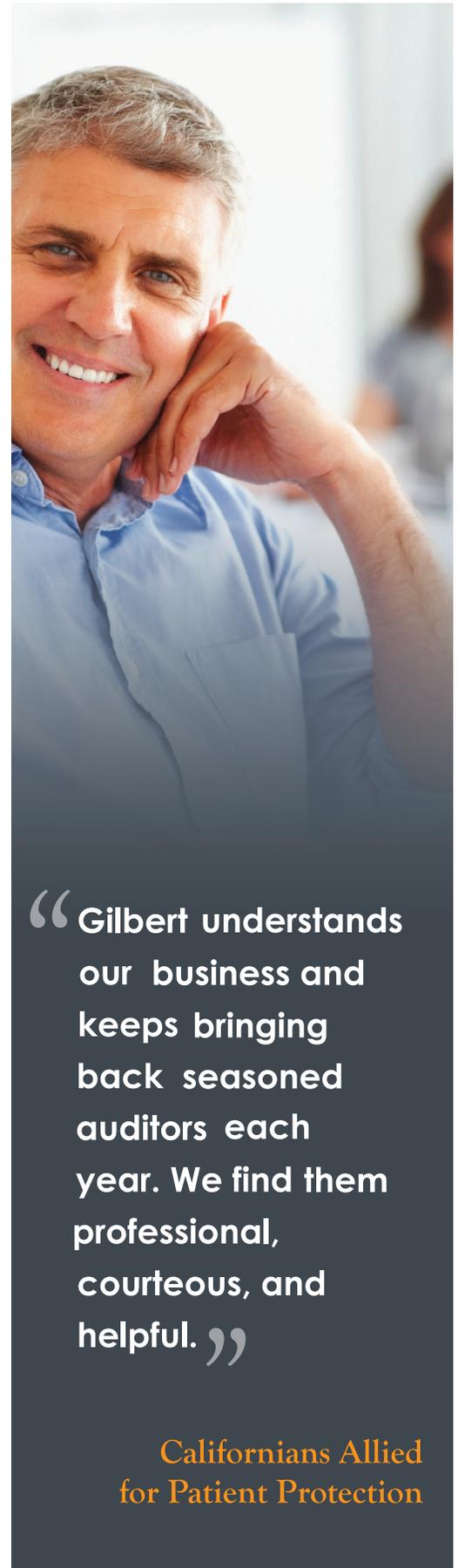
In conjunction with the audit, we will also issue reports to the governing board on additional and supplemental information. We will communicate all items noted that represent recommendations for the strengthening of your internal control structure and general operations.

An audit is not a guarantee of the accuracy of the financial statements. The ordinary audit directed to the expression of an opinion on financial statements is not primarily or specifically designed, and cannot be relied upon to disclose defalcations and other similar irregularities. However, if any irregularities come to our attention during the course of our examination, we will promptly bring them to the attention of management.

Specific Audit Approach

Our audit approach is risk-based which means that we use our evaluation of the internal controls, control environment, and control procedures to determine the type of audit work and the amount of work that will be performed in each area. After gaining an understanding of the internal controls, the audit is planned by your audit shareholder, manager, and senior to ensure that the audit is efficient, focused on the riskier areas, and results in the maximum benefit to your organization.

In addition to the insurance conferences previously mentioned, all of our staff receive in-house training on insurance accounting and auditing. Our firm developed a set of electronic practice aids, customized for auditing insurance pools, that we use to streamline our audit procedures. This includes a paperless audit software program, work paper templates, audit programs, questionnaires, and other tools. We also utilize current technology to facilitate paperless audit support transfer via a secured online portal.



“Gilbert understands our business and keeps bringing back seasoned auditors each year. We find them professional, courteous, and helpful.”

Californians Allied
for Patient Protection

AUDIT APPROACH

We believe effective communication is important to the success of our relationships with our clients. We can meet with management many times throughout the year to discuss audit planning, status, conduct and completion. Reports and findings/recommendations will be discussed with management prior to formal issuance to ensure that information is complete and accurately reflected. We will meet with the Finance Committee in the planning and completion stages to communicate expectations and results of the audit. Additionally, we will be available throughout the year as a resource to AMRRP.

Your audit will be performed in two phases as outlined below.

Phase I – Audit Planning

Specific Procedure	Staff
Introduction of Gilbert <ul style="list-style-type: none"> Meet with representatives from AMRRP to discuss: <ul style="list-style-type: none"> - Approach to the audit - Client assistance checklist - Timelines 	Engagement Shareholder Senior Manager Senior Associate
Audit Plan <ul style="list-style-type: none"> Discuss and analyze fraud risks relating to AMRRP Interview management and others within the organization about instances of fraud, alleged instances of fraud, or risks of fraud within AMRRP Gain an understanding of AMRRP's operation and review pertinent documentation 	Engagement Shareholder Senior Manager Senior Associate
Internal Control Review <ul style="list-style-type: none"> Obtain an understanding of the external and internal factors impacting the organization Review and understanding of the control environment Review and understanding of the significant transaction cycles Review and understanding of the accounting system Review and understanding of the EDP system Assess overall effectiveness of the control environment 	Senior Associate Staff Associate
Audit Plan <ul style="list-style-type: none"> Develop the individual plan for the audit, assess risk areas, and incorporate with understanding of the industry Establish materiality guidelines 	Engagement Shareholder Senior Manager Senior Associate

AUDIT APPROACH

Phase II – Year-end Work and Audit Completion

Specific Procedure	Staff
Financial Statements <ul style="list-style-type: none">• Obtain financial statements and enter them into Gilbert's audit software	Staff Associate
Substantive Testing and Analytical Procedures <ul style="list-style-type: none">• Perform analytical procedures as necessary• Verify account balances for the following financial statement assertions:<ul style="list-style-type: none">- Existence or occurrence- Completeness- Rights and obligations- Valuation and allocation- Presentation and disclosure• Perform substantive testing• Evaluation of evidence obtained	Senior Manager Senior Associate Staff Associate
Audit Report <ul style="list-style-type: none">• Assist client with the preparation of the audit report based on audit work and evidence obtained• Assist the client with the preparation of all related disclosures• Perform technical review of workpapers and financial statements	Engagement Shareholder Senior Manager Senior Associate
Exit Conference <ul style="list-style-type: none">• Meet with management/audit committee to discuss results of audit and any recommendations• Review draft audit report	Engagement Shareholder Senior Manager
Audit Report <ul style="list-style-type: none">• Issue report• Presentations at Audit Committee and Executive Committee Meetings	Engagement Shareholder

AUDIT APPROACH

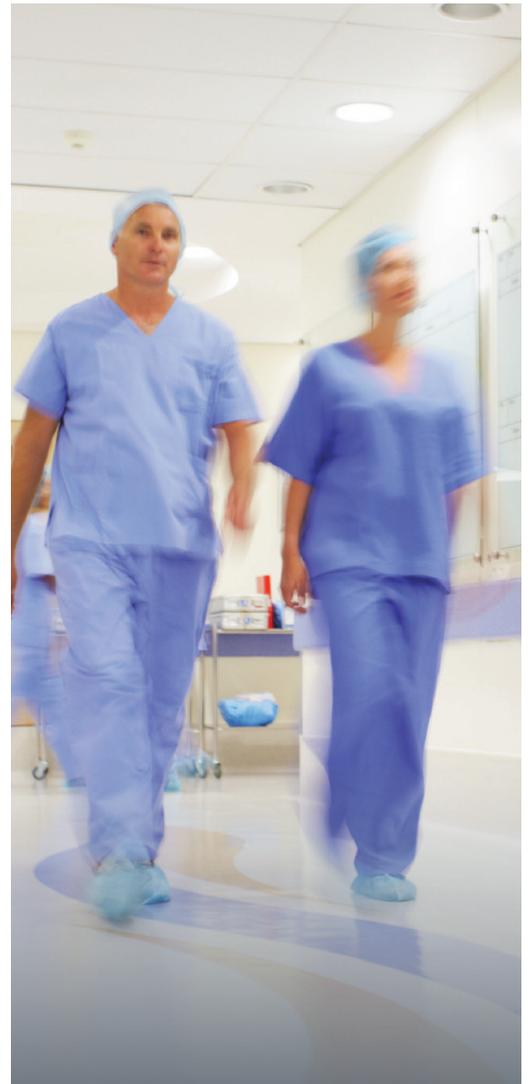
Gilbert's Dynamic Request List

Through our partnership with Suralink, AMRRP management and staff will never again have to deal with duplicate document requests. Further, the status of client assistance items (i.e. supporting spreadsheets, agreements, etc.) are plainly displayed on a real-time basis. This is achieved through the use of a secure file hosting and document exchange system. Each audit client is able to see all of their electronic file requests in one place (through use of a web browser), updated in real time, and accessible by everyone working on the audit. File requests are color coded using a familiar green-yellow-red status indicating whether the document request has been uploaded and waiting for approval, approved, or rejected. The user interface has a dashboard area which enables a user's glance to quickly assess how many documents are outstanding and fulfilled at any given time.

Assistance

The following client assistance is necessary during the audit:

- Completion of working trial balance.
- Completion of transaction testing schedules (supplied by the auditor).
- Assistance in pulling vendor invoices, setting up appointments, and securing an adequate work area.
- Preparing the confirmation letters.
- Preparing bank statement reconciliations for all bank accounts as of December 31.
- Providing supporting documentation for all account balances.
- Provide data for GASB 10 / GASB 30 required supplementary schedules.
- Providing other information to be used in the notes to the financial statements.
- Completion of the management discussion and analysis.



“Gilbert is committed to the success of our organization. Behind every successful organization are successful business partners.”

**California
Medical Association**

PROFESSIONAL FEES

We would be very pleased to have the opportunity to serve AMRRP and are confident you will be delighted with a team of associates who are committed to excellent client service. Our fees for the services will be based on our standard hourly rates as indicated on the following page. You will be billed separately for out-of-pocket expenses (travel costs, per diem, etc.).

The fees quoted on the following page are based upon several assumptions about the adequacy of your accounting records, the degree of assistance to be provided by your personnel, current auditing and accounting standards, and are contingent that there are no significant changes to audit standards or state compliance requirements after the date of this proposal. Our fees do not include any accounting services such as closing year-end accounts, account reconciliations, or journal entries. Additional billings may be incurred for errors identified during the audit that increase the scope of the work required to be performed, or for internal control and/or compliance findings that are required to be reported under the Government Auditing Standards. If at any time during our engagement matters come to our attention and an extension of services is required, we will consult with you concerning the additional work, and explain the adjustment to our fees. A statement will be sent to you each month for progress billing based upon our percentage of completion prior to delivery of the final audit reports. While we believe that the hour estimate required for these services and our fees are competitive, we would be pleased to discuss any other responsible fee quotes you receive.

Billing Rates

For additional services you may request, our hourly billing rates by professional classification are as follows:

Team Member	Rate
Engagement Shareholder	\$ 275/hour
Senior Manager	195/hour
Senior Associate	120/hour
Staff Associate	105/hour

PROFESSIONAL FEES

Proposed Fee

Our proposed fees are as follows:

Audit and Tax Fees

Team Member	Hours	Rate	Total
Shareholder	24	\$ 295	\$ 7,080
Senior Manager	54	160	8,640
Senior Associate	96	130	12,480
Staff Associate	<u>72</u>	105	7,560
Tax Services			<u>1,500</u>
	246		37,260
Less: discount			<u>(2,260)</u>
Total Fee - December 31, 2020			<u>\$ 35,000</u>
Total Fee - December 31, 2021			<u>\$ 36,000</u>
Total Fee - December 31, 2022			<u>\$ 37,000</u>

REFERENCES & CONCLUSION

References

The following are names of several current clients served by the assigned shareholder and senior manager whom you may contact regarding our services. They would be pleased to discuss our relationship and the quality of services they have received from our firm. We highly encourage you to call them and get another client's perspective of Gilbert's services to help you make your decision.

CSAC Excess Insurance Authority

Puneet Behl/CFO
916-850-7300

Schools Insurance Authority

Debbie Wadsworth/Director, Finance and Operations
916-369-4058

California Fair Services Authority

Raechelle Gibbons/Controller
916-263-6143

Conclusion

While there are other firms to choose from, we believe selecting our firm would be the best decision you can make. We make this claim based on our unique qualifications, expertise of our team and passion we bring to the engagement. As you've seen in our proposal, we excel at work with insurance pools. We have experience and training that transcends audit and tax work. We'll be a value-added partner and consultant to help you. You'll enjoy a highly focused team working diligently on your behalf. We appreciate the importance of your mission and want to continue to help you succeed.

ASSURANCE CLIENT SURVEY

OVERALL, I RATE YOUR SERVICES VERY HIGHLY



6% WE AGREE

94% WE STRONGLY AGREE

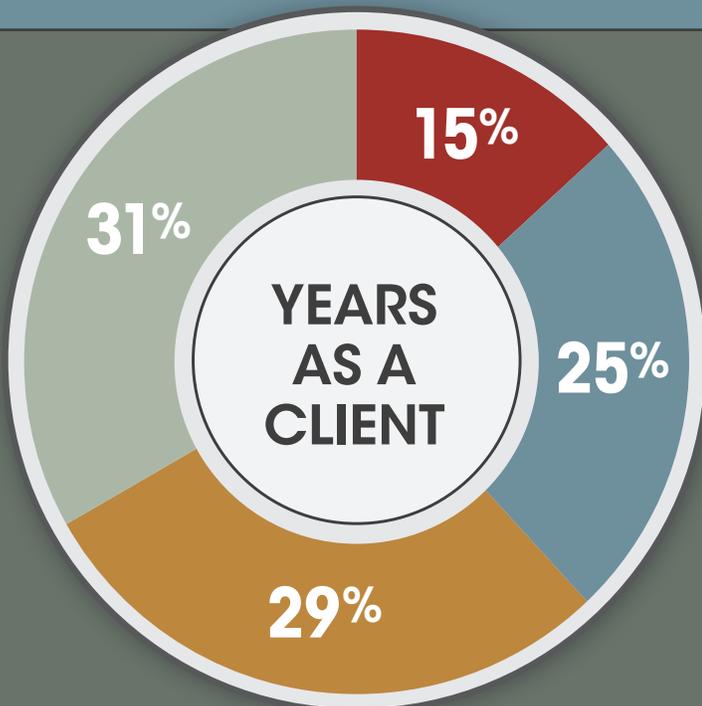
94%

I would Recommend **Gilbert** to others

30%

30% of our assurance work is with **insurance pools and governmental agencies.**

We have one of the largest public accounting firms in Northern California and are dedicated to serving our clients with pinpoint expertise, experience-driven insights, lightening-fast responsiveness and always-in-contact communications. We have a passion for serving insurance pools and our clients have a passion for us. Just see how they rank us!



Less Than 1 Year 1 - 4 Years
5 - 10 Years 10+ Years

WHAT REALLY MATTERS

98%

You Make It Your Business To Understand Our Organization

100%

You Keep Your Promises on Deadlines

100%

Your Staff are Accessible

PEER REVIEW REPORT

HADDOX
REID
EUBANK
BETTS PLLC

CPAs & Advisors

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

June 5, 2017

To the Shareholders of
Gilbert Associates, Inc.
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Gilbert Associates, Inc. (the firm) in effect for the year ended November 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, and audits of employee benefit plans.

One Jackson Place, Suite 500 ■ P.O. Drawer 22507 ■ Jackson, MS 39225-2507 ■ Ph: 601-948-2924 ■ Fx: 601-960-9154 ■ www.HaddoxReid.com

PEER REVIEW REPORT

Required Selections and Considerations - continued:

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Gilbert Associates, Inc. in effect for the year ended November 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Gilbert Associates, Inc. has received a peer review rating of *pass*.



HADDOX REID EUBANK BETTS PLLC

FORGET ABOUT STRESS AND ANXIETY.

For audit, tax, and accounting, you can relax now.



2880 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833

101 Parkshore Drive, Suite 100
Folsom, CA 95630

Tel: 916.646.6464 / Fax: 916.929.6836

gilbertcpa.com





Multi-Asset Class Portfolio Update

June 26, 2020

SUMMARY

- **The Multi-Asset Class Investment Committee (the "Committee") has voted to remove the overweight to fixed income in client portfolios and allocate those assets to domestic equity.**
- While the Committee believes that the economic recovery will be gradual and protracted, rather than V-shaped, and that the markets are not fully reflecting the underlying fundamentals, the improving fundamentals have made us cautiously optimistic. Although we have increased risk in client portfolios slightly, we continue to be defensively positioned in aggregate, with a close eye on various market drivers.

ASSESSMENT

Over the last month, several states have re-opened either partially or fully following the unprecedented shutdown, even as COVID-19 cases continued to rise. Likewise, the re-opening of economies has also occurred globally as cases continued to rise. The move from a total shutdown to a more localized approach of social distancing has revived consumer sentiment and consumer spending. Recent economic data has been coming in better than the drastic lows registered in April and May, albeit still lower than pre-coronavirus crisis in the U.S. The strongest recovery in data was reflected in the labor markets with the May unemployment rate at 13.3%, 1.4% lower than what was reported in April, surprising on the upside. Continuing claims for unemployment insurance have improved from the record high of 24 million to 19.5 million recently, as businesses re-open and re-hire. Labor market conditions are further expected to improve as policy support to reduce unemployment continues. Manufacturing and services activity have also shown signs of improvement. Amidst this background of recovering economic data from the trough, the U.S. Federal Reserve ("Fed") has continued to offer monetary policy support through the bond-buying program, along with the decision to not raise interest rates until 2022.

Equity markets have recovered strongly since the lows of March 23rd, backstopped by accommodative monetary policy, re-opening of the economy, and current and expected fiscal stimulus measures that have all culminated into improvement of various economic indicators. The Committee believes that the markets are optimistic. PFM continues to be cautious on the path of the virus, as we are currently experiencing an increased number of new cases coupled with the possibility of a second wave in the fall, which could result in decreased economic output. With its emphasis on risk and downside protection, and cognizant of the backstop offered by the Fed's actions, the Committee has decided to add to domestic equities slightly by bringing the fixed income allocation in line with policy targets.

PORTFOLIO IMPLICATIONS

The Committee has expressed a cautious view on the markets since the declaration of the coronavirus pandemic but has recently considered the accommodative central bank policy along with re-opening of economies as harbingers of the stability of capital markets. While the Committee believes that the recovery from here on will be gradual and protracted rather than sharp, the improving fundamentals have made us cautiously optimistic at this time. With this change, the risk within our portfolios has increased slightly, but we continue to be defensively positioned as we expect a more volatile market for the second half of the year.

We appreciate your continued confidence in PFM. Should you have any specific questions or wish to discuss this topic in more detail, please contact your client manager directly.

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. The information contained in this report is not an offer to purchase or sell any securities. This is for general information purposes only and is not intended to provide specific investment advice or a specific recommendation. PFM Asset Management LLC is an investment advisor registered under the Investment Advisers Act of 1940.

Unaudited

ARIZONA
MUNICIPAL
RISK
RETENTION
POOL

Financial Review
2nd Quarter 2020
AMRRP – Finance Committee
August 21, 2020

Agenda

Operating Results

- AMRRP Combined
- Line of Business Results
- Investment Income/Asset Class

Financial Position

Member Surplus Roll Forward

A.R.S Compliance Report

Proforma 2020

Operating Results – AMRRP Combined

As of June 30, 2020 (\$ in 000s)

	2nd Quarter		Fav/(Unfav)	
	2020	2019	\$ Change	% Change
Net Earned Premiums	\$ 11,235	\$ 11,676	\$ (441)	-4%
Net Loss & LAE Incurred	6,918	6,999	81	1%
Administrative Fees	1,783	1,735	(48)	-3%
Professional Fees	408	405	(3)	-1%
Premium Taxes	49	86	37	43%
Loss Control	71	51	(20)	-39%
Other Exp	19	41	22	54%
Underwriting Expenses	2,330	2,318	(12)	-1%
Underwriting Results	\$ 1,987	\$ 2,359	\$ (372)	-16%
Total Investment Return	1,902	4,642	(2,740)	-59%
Net Income Before Dividends	3,889	7,001	(3,112)	-44%
Member Dividends	(10,000)	(10,000)	-	0%
Net Income	\$ (6,111)	\$ (2,999)	\$ (3,112)	-104%

Key Ratios	2Q 2020	2Q 2019	Change
Loss & LAE Ratio	62%	60%	-2%
Expense Ratio	21%	20%	-1%
Combined Ratio	83%	80%	-3%

Operating Results – By Line of Business

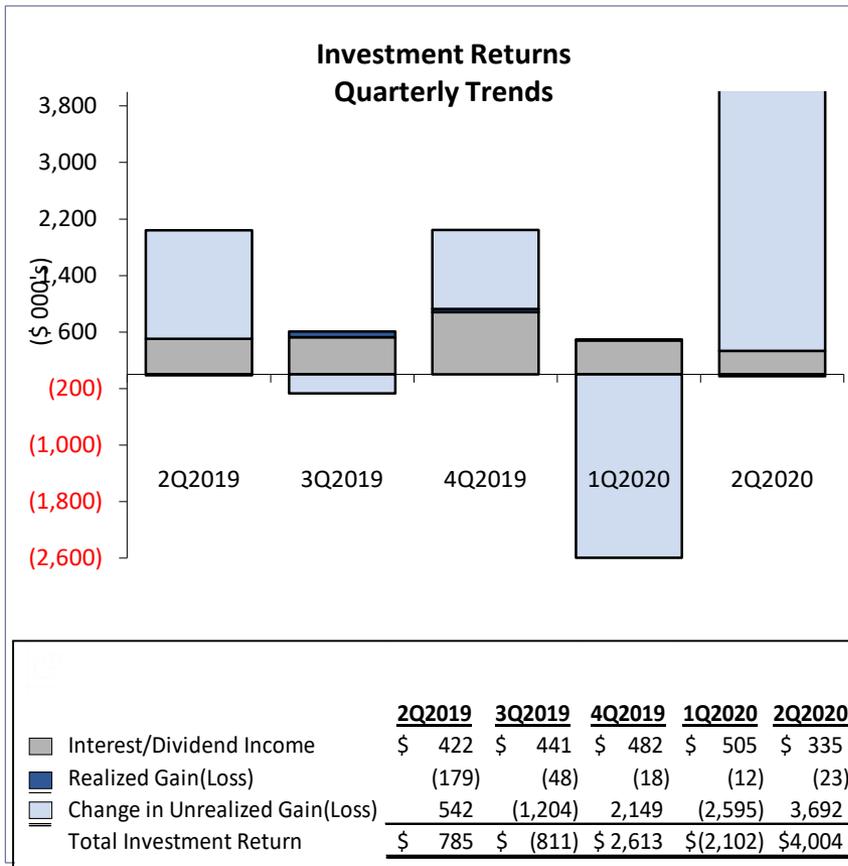
As of June 30, 2020 (\$ in 000s)

	Property & Casualty			Workers Compensation		
	2020	2019	Change	2020	2019	Change
Premiums:						
Gross Written Premiums	\$ 2,547	\$ 1,364	\$ 1,183	\$ (201)	\$ (5)	\$ (196)
Ceded Premiums	(983)	(506)	(477)	-	-	\$ -
Ceded Premiums BRAC	(580)	(302)	(278)	-	-	-
Net Written Premiums	984	556	428	(201)	(5)	(196)
Chg in UEP	5,346	5,872	(526)	5,106	5,253	(147)
Earned Premiums	\$ 6,330	\$ 6,428	\$ (98)	\$ 4,905	\$ 5,248	\$ (343)
Losses:						
Paid	\$ 5,071	\$ 3,729	\$ (1,342)	\$ 2,997	\$ 2,640	\$ (357)
Paid BRAC	(1,136)	(204)	\$ 932	-	-	-
Change in Case Reserves	161	(676)	\$ (837)	(608)	1,574	\$ 2,182
Change in Case Reserves BRAC	172	(180)	\$ (352)	-	-	-
Change in IBNR Reserves	715	913	\$ 198	(454)	(797)	\$ (343)
Loss & LAE Incurred	4,983	3,582	1,401	1,935	3,417	(1,482)
Net Results (excl underwriting expenses)	\$ 1,347	\$ 2,846	\$ (1,499)	\$ 2,970	\$ 1,831	\$ 1,139

Key Ratios	2020	2019	Change	2020	2019	Change
Loss & LAE Ratio	79%	56%	-23%	39%	65%	26%

Operating Results

Investment Return and Asset Class (\$ 000s)



Asset Class at Fair Value	6/30/2020		6/30/2019	
	\$	% Mix	\$	% Mix
PFM Asset Mgmt:				
Cash and Equivalents	\$ -	0.0%	\$ -	0.0%
U.S. Treasury	13,798	13.5%	13,050	13.2%
U.S. Agency	6,569	6.4%	5,975	6.1%
U.S. Instrumentality	2,637	2.6%	3,479	3.5%
Mutual Funds	22,573	22.1%	21,371	21.6%
Corporate	14,332	14.0%	13,166	13.3%
Municipal	2,925	2.9%	6,641	6.7%
Managed Investments	\$ 62,834	61.5%	\$ 63,682	64.5%
Operating Cash	13,102	12.8%	9,748	9.9%
AZ LGIP	24,139	23.6%	23,277	23.6%
AZ LGIP - Short Term	2,041	2.0%	2,008	2.0%
Total Cash and Investments	\$ 102,116	100%	\$ 98,715	100%
Unrealized Gains/(Losses)	\$ 3,636		\$ 1,689	
Weighted Average Duration - PFM				
Property & Casualty	3.80 yrs		2.76 yrs	
Workers' Compensation	5.10 yrs		3.81 yrs	

Financial Position

Balance Sheet (\$ in 000s)

	<u>Jun 30, 2020</u>	<u>Dec 31, 2019</u>
Assets		
Cash and Short Term Investments	\$ 1,789	\$ 1,651
Securities	100,327	97,327
Subtotal Cash and Investments	\$ 102,116	\$ 98,978
Premium Receivables	3,812	18,654
Premium Receivables - BRAC	11	96
Reinsurance Recoverables	(48)	1,573
Prepaid Expenses	2,625	242
Other Assets	360	352
Total Assets	<u>\$ 108,876</u>	<u>\$ 119,895</u>
Liabilities		
Loss and LAE Reserves	\$ 42,720	\$ 47,096
Loss and LAE Reserves - BRAC	\$ (4,525)	\$ (4,362)
Net Unearned Premium	1,116	11,568
Payables and Other Liabilities	12,812	2,729
Total Liabilities	<u>\$ 52,123</u>	<u>\$ 57,031</u>
Member Surplus		
Total Member Surplus	<u>56,753</u>	<u>62,864</u>
Total Liabilities & Member Surplus	<u>\$ 108,876</u>	<u>\$ 119,895</u>

Key Ratios:

Asset to Liability Ratio (a)	2.09	2.10
Cash and Investments/Liabilities Ratio (a)	1.96	1.74
GWP to Surplus (b)	0.04	0.57

(a) Industry standard greater than 1

(b) Industry standard less than 2

Financial Position

Member Surplus - Five Year Rollforward

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2016 to 2020</u>
Member Surplus, Beg. of Period	\$ 33,491	\$ 39,524	\$ 50,072	\$ 61,474	\$ 62,864	\$ 33,491
Add: Underwriting Results	5,047	9,493	16,633	4,361	1,987	37,521
Add: Total Investment Return	986	1,055	(231)	7,029	1,902	10,741
Less: Member Dividends	-	-	(5,000)	(10,000)	(10,000)	(25,000)
Net Change in Surplus Position	<u>\$ 6,033</u>	<u>\$ 10,548</u>	<u>\$ 11,402</u>	<u>\$ 1,390</u>	<u>\$ (6,111)</u>	<u>\$ 23,262</u>
Member Surplus, End of Period	<u>\$ 39,524</u>	<u>\$ 50,072</u>	<u>\$ 61,474</u>	<u>\$ 62,864</u>	<u>\$ 56,753</u>	<u>\$ 56,753</u>

Supplemental Data

A.R.S. Title 35 Compliance Report

 ARIZONA MUNICIPAL RISK RETENTION POOL	Wells Fargo Operating Account P&C	Wells Fargo Operating Account WC	LGIP #5-91335 (Fixed Income - Short Term) P&C	LGIP #5-91338 (Fixed Income - Short Term) WC	LGIP #5-91287 (Fixed Income - Long Term) ICA Secured WC	Wells Fargo Investment Custodial P&C	Wells Fargo Investment Custodial WC	Investments (PFM) P&C	Investments (PFM) WC	TOTAL
Apr-20	(223)	(196)	1,668	371	23,910	6,671	8,776	39,860	17,817	98,654
May-20	(324)	(269)	1,668	371	24,061	6,615	7,614	42,383	19,955	102,074
Jun-20	(115)	(137)	1,669	372	24,139	6,197	7,156	42,824	20,011	102,116

A.R.S. Title 35 Compliance Analysis				
ARIZONA MUNICIPAL RISK RETENTION POOL	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Total Cash and Investments	\$ 102,116	\$ 95,270	\$ 98,978	\$ 93,015
P&C WF Custodial & PFM Non-Title 35 Holdings	(423)	(326)	(464)	(507)
WC WF Custodial & PFM Non-Title 35 Holdings	(37)	(33)	(44)	(46)
Title 35 Compliant	<u>\$ 101,656</u>	<u>\$ 94,911</u>	<u>\$ 98,470</u>	<u>\$ 92,462</u>
Members Equity	\$ 56,754	\$ 60,924	\$ 62,864	\$ 59,269
Excess Allowed Outside A.R.S. Title 35	44,902	33,987	35,606	33,193
Avail. for Investment Outside Title 35 (80%)	35,922	27,190	28,485	26,554

Proforma 2020 (\$ in 000's)

Unaudited

	<u>6/30/20</u>	<u>12/31/20P</u>	<u>Variance</u>								
Gross Written Premiums	\$ 2,346	\$ 36,809	\$ (34,463)								
Reinsurance Premiums	983	7,440	(6,457)								
Reinsurance Premiums - Berkley Risk	580	5,803	(5,223)								
Net Written Premium	783	23,566	(22,783)								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Ceded Premium Ratio</td> <td style="text-align: right; padding: 2px;">42%</td> <td style="text-align: right; padding: 2px;">20%</td> <td></td> </tr> <tr> <td style="padding: 2px;">Ceded Premium Ratio - Berkley Risk</td> <td style="text-align: right; padding: 2px;">25%</td> <td style="text-align: right; padding: 2px;">16%</td> <td></td> </tr> </table>				Ceded Premium Ratio	42%	20%		Ceded Premium Ratio - Berkley Risk	25%	16%	
Ceded Premium Ratio	42%	20%									
Ceded Premium Ratio - Berkley Risk	25%	16%									
Change in unearned premium:	10,452	(364)	10,816								
Net Earned Premium	\$ 11,235	\$ 23,202	\$ (11,967)								
<u>Incurred Loss and LAE:</u>											
Current Accident Year Loss Provision	6,918	13,921	7,003								
Total Incurred Loss and LAE	\$ 6,918	\$ 13,921	\$ 7,003								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Loss Ratio</td> <td style="text-align: right; padding: 2px;">62%</td> <td style="text-align: right; padding: 2px;">60%</td> <td></td> </tr> </table>				Loss Ratio	62%	60%					
Loss Ratio	62%	60%									
<u>Underwriting Expenses:</u>											
Management Fee	1,783	3,580	1,797								
Administrative Expenses	547	1,224	677								
Total Underwriting Expenses:	2,330	4,804	2,474								
Net Underwriting Results	\$ 1,987	\$ 4,477	\$ (2,490)								
Net Investment Income	1,902	996	906								
Dividends Paid	(10,000)	(10,000)	-								
Net Income/(Loss)	\$ (6,111)	\$ (4,527)	\$ (1,584)								

Questions and Comments?